

Office of Audit Services
Region I
John F. Kennedy Federal Building
Boston, MA 02203
(617) 565-2684

August 30, 2002

CIN: A-01-02-00008

Ms. Wendy E. Warring
Commissioner
Division of Medical Assistance
600 Washington Street
Boston, MA 02111

Dear Ms. Warring:

Enclosed are two copies of the U. S. Department of Health and Human Services, Office of Inspector General (OIG), Office of Audit Services' (OAS) report entitled "Review of Medicaid Payments for Outpatient Services and Prescription Drugs Provided to Incarcerated Recipients in the State of Massachusetts." The objective of this review was to determine the extent the Massachusetts Division of Medical Assistance (DMA) used Medicaid funds to pay for prescription drugs and other (non-inpatient/long term care) health care services provided to inmates.

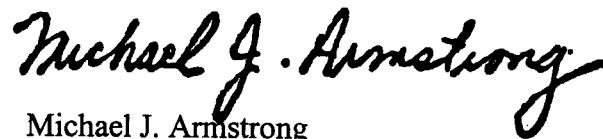
To test the effectiveness of the DMA procedures, we reviewed a random sample of Medicaid claims from a database of claims paid on behalf of individuals who had been identified as incarcerated between October 1, 1998 through September 30, 2001. We found that, with few exceptions, the services were not provided during the incarcerated periods. Accordingly, we concluded that DMA procedures in use reasonably preclude Medicaid payments for services on behalf of individuals who are incarcerated. As a result, we have no further recommendations to make on this issue.

In accordance with the principles of the Freedom of Information Act (5 U.S.C. 552, as amended by Public Law 104-231), OIG, OAS reports are made available to members of the public to the extent information contained therein is not subject to exemptions in the Act. (See 45 CFR Part 5.)

As such, within ten business days after the final report is issued, it will be posted on the world wide web at <http://oig.hhs.gov>.

To facilitate identification, please refer to Common Identification Number A-01-02-00008 in all correspondence relating to this report.

Sincerely yours,

A handwritten signature in black ink that reads "Michael J. Armstrong". The signature is written in a cursive style with a large, stylized "M" and "A".

Michael J. Armstrong
Regional Inspector General
for Audit Services

Enclosures – as stated

cc: Frank McNamara, Director, Internal Control and Audit, Division of Medical Assistance,
Executive Office of Health and Human Services, Commonwealth of Massachusetts

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**REVIEW OF MEDICAID PAYMENTS
FOR OUTPATIENT SERVICES
AND PRESCRIPTION DRUGS
PROVIDED TO INCARCERATED
RECIPIENTS IN THE STATE OF
MASSACHUSETTS**



JANET REHNQUIST
Inspector General

**August 2002
A-01-02-00008**

Office of Inspector General

<http://oig.hhs.gov/>

The mission of the Office of Inspector General (OIG), as mandated by Public Law 95-452, as amended, is to protect the integrity of the Department of Health and Human Services (HHS) programs, as well as the health and welfare of beneficiaries served by those programs. This statutory mission is carried out through a nationwide network of audits, investigations, and inspections conducted by the following operating components:

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The OIG's Office of Audit Services (OAS) provides all auditing services for HHS, either by conducting audits with its own audit resources or by overseeing audit work done by others. Audits examine the performance of HHS programs and/or its grantees and contractors in carrying out their respective responsibilities and are intended to provide independent assessments of HHS programs and operations in order to reduce waste, abuse, and mismanagement and to promote economy and efficiency throughout the Department.

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Ms. Wendy E. Warring
Commissioner
Division of Medical Assistance
600 Washington Street
Boston, MA 02111

Dear Ms. Warring:

This report presents the results of our *Review of Medicaid Payments for Outpatient Services and Prescription Drugs Provided to Incarcerated Recipients in the State of Massachusetts*. The objective of this review was to determine the extent the Massachusetts Division of Medical Assistance (DMA) used Medicaid funds to pay for prescription drugs and other (non-inpatient/long term care) health care services provided to inmates. Our review covered Medicaid fee-for-service claims paid by Massachusetts during the period October 1, 1998 through September 30, 2001.

During our prior report entitled, "Review of Medicare Payments for Services Provided to Incarcerated Beneficiaries" (A-04-00-05568), we determined that the Centers for Medicare & Medicaid Services (CMS) had not obtained recipient data from the Social Security Administration (SSA) that identified incarcerated recipients. As a result, potentially improper Medicare payments were made by CMS. Based on this work, the OIG undertook a review of Medicaid fee-for-service payments for services provided to incarcerated recipients in four States to determine if state Medicaid programs had similar vulnerabilities. The State of Massachusetts was one of the four States selected for review. The CMS guidelines and state Medicaid regulations provide that Medicaid will not cover outpatient services or the cost of prescription drugs for inmates.

We found that the DMA has procedures to identify incarcerated recipients and suspend eligibility for Medicaid benefits. To test the effectiveness of the DMA procedures, we reviewed a random sample of Medicaid claims from a database of claims paid on behalf of individuals who had been identified as incarcerated at some time during our audit period. We found that, with few exceptions, the services were not provided during the incarcerated periods. Accordingly, we conclude that DMA procedures in use reasonably preclude Medicaid payments for services on behalf of individuals who are incarcerated. As a result, we have no further recommendations to make on this issue.

INTRODUCTION

BACKGROUND

Generally, national Medicaid policy states that Medicaid federal financial participation (FFP) will not be paid for inmates. The CMS policy, based on section 1905 of the Social Security Act, is that FFP is not available for services provided to inmates except when the inmate is transferred from the prison grounds to an inpatient facility for medical treatment.

On December 12, 1997, CMS issued a letter to all Associate Regional Administrators clarifying CMS' Medicaid coverage policy for inmates of a public institution. In that guidance, CMS lists situations where FFP would be available for services provided to inmates. According to this CMS guidance, FFP would be available for services provided to "inmates who become a patient of a hospital, nursing facility, juvenile psychiatric facility or intermediate care facility for the mentally retarded (Note: subject to meeting other requirements of the Medicaid program)."

States are required to describe the nature and scope of their programs in comprehensive written plans submitted to CMS. Federal funding is contingent on CMS' approval of the plans. The CMS determines if the Medicaid plans meet all applicable Federal laws and regulations.

OBJECTIVE, SCOPE, AND METHODOLOGY

The objective of our review was to determine the extent to which the State of Massachusetts used Medicaid funds to pay for prescription drugs and other (non-inpatient/long term care) health care services provided to inmates. Our review covered Medicaid fee-for-service claims paid by Massachusetts during the period October 1, 1998 through September 30, 2001.

We reviewed existing internal controls to gain an understanding of the procedures in place used by the state to identify incarcerated individuals and preclude future eligibility for Medicaid benefits. Accordingly, we made an independent assessment of prisoner data and Medicaid payments. To perform our review, we compared a file of incarcerated individuals provided by SSA to CMS Medicaid Statistical Information System (MSIS) file of claims for outpatient and prescription drugs paid October 1, 1998 through September 30, 2001. Based on this comparison, we compiled a database of claims paid on behalf of individuals who had been identified as incarcerated at some time during the audit period. The match for Massachusetts resulted in 489,264 paid claims totaling \$64,985,281. Using the results of the match, we randomly sampled 100 Medicaid fee-for-service paid claims totaling \$11,637. We did not validate the completeness of the SSA prisoner database or the MSIS files.

For each sample claim, we attempted to validate the data contained in MSIS to the State's Medicaid Management Information System or paid claims history file and to determine when and where the recipient was incarcerated. We then attempted to determine whether the Medicaid payment was made for a service provided during a period of incarceration.

We conducted our review in accordance with generally accepted government auditing standards. Our review was limited in scope. We performed our review at the DMA Medicaid office in Boston during the period December 2001 through August 2002.

RESULTS OF REVIEW

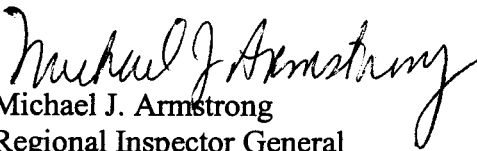
In order to test the effectiveness of the DMA controls to preclude Medicaid payments on behalf of potentially incarcerated individuals, we reviewed a random sample of 100 DMA Medicaid claims from a population of potential Medicaid overpayments that we independently generated by our own match of the SSA prisoner database and Medicaid payment files for the period October 1, 1998 through September 30, 2001. We found that only 3 of the 100 claims valued at \$443 of the \$11,637 total value of sample claims contained medical services rendered to incarcerated individuals. Accordingly, we concluded that the risk is low that DMA used Medicaid funds to pay for health services for incarcerated individuals.

Furthermore, we found that DMA implemented additional controls subsequent to our audit period to identify incarcerated individuals who may be receiving Medicaid benefits. Beginning in October 2001, DMA performed a computer match each quarter between the SSA prisoner database and the Medicaid eligibility file. At the beginning of each quarter, DMA sent its current Medicaid eligibility file to the SSA central office in Baltimore, Maryland where the eligibility files were matched against the SSA prisoner database. When SSA returned the match results to DMA, the matches were sent out to one of four MassHealth Enrollment Centers (MECs) which attempted to validate the matched items with source documents. The MECs were required to complete their validation and report back to DMA within 30 days. Once the MECs completed the validations and reported their results, DMA sent letters to all identified potential inmates informing them that their Medicaid benefits were about to be suspended and requested that they contact DMA within 30 days if they wished to contest the proposed suspension. Thirty days later, DMA suspended Medicaid benefits for all identified potential inmates who did not contest the suspension. In addition to computer matching procedures, DMA suspended recipient's Medicaid eligibility when correspondence mailed to recipients was returned to DMA as undeliverable.

The first DMA prisoner match using the SSA prisoner database was conducted in October 2001 resulting in 5,670 unconfirmed matches. It should be noted that this match was initiated subsequent to the audit period. Of these matches, Medicaid benefits for 3,280 recipients were ultimately suspended. Beneficiary aliases and multiple Social Security numbers accounted for the MECs inability to validate all of the matches. A second prisoner match was conducted in February 2002 resulting in 7,621 unconfirmed matches. Of these matches, 1,711 were subsequently validated and Medicaid benefits suspended. A third prisoner match was performed in May 2002 resulting in 6,980 unconfirmed matches. This resulted in suspending Medicaid benefits for 3,854 recipients. DMA was planning to have its next prisoner match in August 2002.

Based on the results of our sample and the procedures DMA currently has in place, we concluded that DMA had implemented a system to reasonably preclude Medicaid payments for medical services rendered to prison inmates. We have no recommendations to make on this issue.

Sincerely yours,

A handwritten signature in black ink, reading "Michael J. Armstrong". The signature is written in a cursive style with a large, stylized "M" and "A".

Michael J. Armstrong
Regional Inspector General
For Audit Services